

Certification of claims and returns annual report 2014-15

Isle of Wight Council

January 2016

Ernst & Young LLP



The Members of the Audit Committee
Isle of Wight Council
County Hall
Newport,
Isle of Wight
PO30 1UD

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Dear Members

Certification of claims and returns annual report 2014-15 Isle of Wight Council

We are pleased to report on our certification work. This report summarises the results of our work on Isle of Wight Council's 2014-15 claims.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and must complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require appropriately qualified auditors to certify the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, as transitionally saved, the Audit Commission made arrangements for certifying claims and returns in respect of the 2014-15 financial year. These arrangements required only the certification of the housing benefits subsidy claim. In certifying this we followed a methodology determined by the Department for Work and Pensions and did not undertake an audit of the claim.

Statement of responsibilities

The Audit Commission's 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities) applied to this work. It serves as the formal terms of engagement between ourselves as your appointed auditor and the Council as audited body.

This report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the Council. As appointed auditor we take no responsibility to any third party.

Summary

Section 1 of this report outlines the results of our 2014-15 certification work and highlights the significant issues identified.

We checked and certified the housing benefits subsidy claim with a total value of £52.5m. We met the submission deadline. Our certification work found errors, which were either corrected by the Council or reported in our qualification letter to the Department for Work and Pensions. The amendments resulted in a £265 increase in the amount of grant due from the Department. Details of the qualification matters are included in section 1.



Fees for certification work are summarised in section 2. The fees for 2014-15 were published by the Audit Commission on 27 March 2014 and are now available on the Public Sector Audit Appointments Ltd (PSAA's) website (www.psaa.co.uk).

We welcome the opportunity to discuss the contents of this report with you at the Audit Committee on 18 February 2016.

Yours faithfully

Kate Handy
Executive Director
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1. Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£52,583,405
Amended/Not amended	Amended – subsidy increased by £265
Qualification letter	Yes
Fee – 2014-15	£22,770
Fee – 2013-14	£19,614

Local Government administers the Government's housing benefits scheme for tenants and can claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' or extended testing if initial testing identifies errors in the calculation of benefit or compilation of the claim. 40+ testing may also be carried out as a result of errors that have been identified in the audit of previous years' claims. Working with officers, 4 lots of extended testing were performed; 3 as a result of errors identified in previous years' claims and 1 as a result of an error identified in the 14-15 claim.

Extended and other testing identified 2 errors which the Council amended. The impact of these was to increase subsidy claimed by £265. These were errors identified in the compilation of the claim, or which had no impact on the entitlement of individual claimants, and could not therefore be amended through future years' subsidy claims.

We identified a further 3 errors which were not amended and which were reported in a qualification letter. These errors are corrected in the benefits system, and therefore will be reflected in future years' subsidy claims. The DWP then decides whether to ask the Council to carry out further work to quantify the error or to claw back the benefit subsidy paid.

The main findings from our work are set out below.

Rent rebates for tenants of Non-HRA properties

Issue 1 – tax credits

In our initial sample testing of rent rebates for tenants of Non-HRA properties, we found 1 case where benefit had been underpaid by £0.04 due to an incorrect tax credit value being applied. Officers carried out extended testing of 40 cases which identified no further similar errors. The underpayment identified had no impact on subsidy because there is no eligibility to subsidy for benefit that has not been paid. We were however required to report this underpayment to the DWP in our qualification letter.

Issue 2 – netting off of overpayments

Our initial testing found 3 cases where the Non-HRA headline cell and overpayment cells had been understated due to incorrect netting off of ongoing rent allowance entitlement by the Northgate system. Officers carried out extended testing of all relevant cases in the population which identified 7 similar errors. There was no impact on the entitlement of any individual claimant as a result of this error. The Authority adjusted the claim by £265 for this error and therefore we were not required to report it in our qualification letter.

Rent Allowances

Issue 1 – earned income

In our initial sample testing of rent allowances, we found one case where benefit had been underpaid by £0.48 due to earned income being incorrectly calculated. Officers carried out extended testing of 40 cases which identified a further 4 similar errors, 1 resulting in an overpayment of £9.85, and 3 resulting in underpayments of £4.52.

We extrapolated the overpayment error in our qualification letter, resulting in a projected error of £601.84, which was a percentage error rate of 0.005%, with the effect of:

- overstating rent allowances for cases excluded from the requirement to refer to the rent officer;
- a corresponding understatement of Local Authority error and administrative delay overpayments

The underpayments identified had no impact on subsidy because there is no eligibility to subsidy for benefit that has not been paid. We were however required to report them to the DWP in our qualification letter.

Issue 2 – tax credits

Extended testing was performed on rent allowance cases with tax credits in payment, as a result of errors identified in prior years' claims. This identified 1 case where benefit of £222.16 had been overpaid due to an incorrect tax credit value being applied. We extrapolated the error in our qualification letter, resulting in a projected error of £23,964.78, with the effect of:

- overstating rent allowances for cases excluded from the requirement to refer to the rent officer;
- a corresponding understatement of Local Authority error and administrative delay overpayments. As this was significantly below the lower threshold level it made no difference to the amount of subsidy claimed.

Issue 3 – claim completion manual adjustments

Work to reconcile the subsidy claim to supporting system reports and manual adjustments identified a transposition error, resulting in a £900 understatement of prior year Local Authority error and administrative delay overpayments. The Authority adjusted the claim for this error and therefore we were not required to report it in our qualification letter.

Officer's response to issues identified

Officers will implement actions to prevent these issues arising again, which we reflected in our qualification letter. They are as follows:

1. Assessors will be reminded of the need to ensure accurate entry of figures from proofs when entering tax credit income, including in respect of future awards.
2. Assessors will be reminded of the need to ensure correct entry of all payslip information when calculating earnings.
3. Subsidy Officers will check all claims where the claimant moves from Non-HRA rent rebate to rent allowance to ensure there is no incorrect netting off of Non-HRA overpayments prior to the submission of all future subsidy claims.

In addition, the Council has implemented continuing measures in respect of tax credit income in response to previous certification findings.

We have assessed the above actions to be appropriate, and therefore, have made no specific recommendations as a result of our 2014/15 work.

2. 2014-15 certification fees

The Audit Commission determined a scale fee each year for the audit of claims and returns. For 2014-15, these scale fees were published by the Audit Commission on 27 March 2014 and are now available on the PSAA's website (www.psa.co.uk).

Claim or return	2013-14	2014-15	2014-15
	Actual fee £	Indicative fee £	Actual fee £
Housing benefits subsidy claim	19,614	22,770	22,770
Total	19,614	22,770	22,770

Note: Fees for annual reporting and for planning, supervision and review have been allocated directly to the claims and returns.

The fee for 2014-15 is higher than the fee for 2013-14.

Indicative fees are based on the work performed two years previously, subject to variation in-year if the actual volume of work differs significantly from that comparative year. Our work performed in 2014-15 included the extended testing, qualification letter and consideration of other identified issues, which did not require further adjustment to the indicative fee.

3. Looking forward

From 1 April 2015, the duty to make arrangements for the certification of relevant claims and returns and to prescribe scales of fees for this work was delegated to (PSAA) by the Secretary of State for Communities and Local Government.

The Council's indicative certification fee for 2015-16 is £14,711. This was prescribed by PSAA in April 2015, based on no changes to the work programme for 2015-16. PSAA reduced scale audit fees and indicative certification fees for most audited bodies by 25 per cent based on the fees applicable from previous years.

Details of individual indicative fees are available at the following web address:
<http://www.psa.co.uk/audit-and-certification-fees/201516-work-programme-and-scales-of-fees/individual-fees-for-local-government-bodies>

We must seek the agreement of PSAA to any proposed variations to these indicative certification fees. We will inform the S151 Officer before seeking any such variation.

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